



Request for City Council Committee Action from the Department of Community Planning & Economic Development - CPED

Date: December 10, 2013

To: Council Member Lisa Goodman, Chair, Community Development Committee

Referral to: Council Member Betsy Hodges, Chair, Ways & Means/Budget Committee

Subject: Lease Amendment Public Hearing for Gold Medal Park

Recommendation:

- 1) Authorize a lease amendment with the Park Development Foundation for the City-owned portion of Gold Medal Park (1000 2nd St. S, 1010 2nd St. S, 1028 2nd St. S);
- 2) Approve the use as park space of a portion of Parcel A-2 that the Guthrie Theater Foundation proposes to sell to the Park Development Foundation, and waive the City's one-time option to reacquire that portion of the property; and
- 3) Authorize appropriate City officials to execute such documents and agreements as are reasonably necessary to implement the lease amendment and waiver described in this report.

Previous Directives: City-owned park parcel: The acquisition of the property included in the Riverfront East Parcel, now comprising the City-owned portion of Gold Medal Park (1000 2nd St. S, 1010 2nd St. S, 1028 2nd St. S), was approved by the MCDA Board of Commissioners and completed in 1987, 1991 and 1994. On December 23, 2005, the City Council authorized the distribution of a development Request for Proposals for the Riverfront East Parcel. On April 14, 2006, the City Council granted the William W. and Nadine M. McGuire Family Foundation exclusive rights for a period of 120 days to negotiate the terms of a land lease for the Riverfront East Parcel for construction and maintenance of a privately funded green space for a period of ten years. On July 21, 2006, the City Council authorized CPED to execute a lease agreement with the Park Development Foundation for the development of a park on the City-owned Riverfront East Parcel.

Guthrie-owned park parcel: On February 2, 2001, the City Council and MCDA Board authorized execution of a letter of intent between the City, MCDA and Guthrie Theater and approved a package of pre-implementation activities. On March 23, 2001, the City Council and MCDA Board approved various actions related to an archaeological study of the Guthrie site. On May 18, 2001, the City Council and MCDA Board authorized the execution of a redevelopment

agreement with the Guthrie Theater Foundation and established goals under the Business Subsidy Act. On December 28, 2001, the MCDA Board authorized the acceptance of an easement from the Minneapolis Park and Recreation Board to facilitate the theater project. On May 3, 2002, the City Council designated the area in which the Guthrie project is located as a “targeted neighborhood” in which Port Authority bonding powers may be used. On November 22, 2002, the City Council and MCDA Board authorized execution of an amended redevelopment agreement and various other related actions, including prioritizing the Guthrie’s request for state grant funding. On July 25, 2003, the City Council gave preliminary approval to issue 501(c)(3) bonds for the project. On September 26, 2003, the MCDA Board authorized acceptance of a \$25,000,000 State grant for the Guthrie project, along with execution of related documents and appropriations.

Prepared by: Emily Stern, Senior Project Coordinator, 612-673-5191
 Approved by: Charles T. Lutz, Deputy CPED Director _____
 Catherine A. Polasky, Director Economic Policy & Development _____
 Reviewed by Development Finance: _____
 Presenter in Committee: Emily Stern, Senior Project Coordinator

Financial Impact

- Elimination of the \$50,000 annual rent payment that the Park Development Foundation has been obligated to pay the City under the current lease agreement.
- Elimination of any future property management costs to the City estimated at \$150,000 per year for the entire park. The Park Development Foundation will continue to fund operations and maintenance of the park during the 50-year term of the lease amendment.

Community Impact

- Neighborhood Notification: The Mill District Neighborhood Association reviewed and supports this proposal.
- City Goals: Livable Communities, Healthy Lives; Eco-Focused.
- Sustainability Targets: A long-term lease with a private foundation to operate and maintain Gold Medal Park supports the sustainability target of maintaining the city’s tree canopy level (over 30 percent).
- Comprehensive Plan: On December 2, 2013, the Planning Commission found a long-term lease of this parcel to be consistent with the Comprehensive Plan.
- Zoning Code: Park space is consistent with current zoning (C3A)
- Living Wage/Business Subsidy Agreement Yes _____ No X
- Job Linkage Yes _____ No X

Supporting Information

<u>Parcel</u>	<u>Address</u>	<u>Lease Rate</u>
IS-1	1000 2nd St. S	\$1 total lease pymt
IS-2	1010 2nd St. S	
IS-Outlot A	1028 2nd St. S	

Lessee

Park Development Foundation
 c/o Kaplan, Strangis and Kaplan, P.A.
 5500 Wells Fargo Center
 90 South Seventh Street
 Minneapolis, MN 55402

Lot size:

The total lot size is 4.65 acres.

Comments:

On August 28, 2006 the City entered into a 10-year lease agreement with the Park Development Foundation to fund, design, construct, operate and maintain open-access public green space on the Riverfront East Parcel, which is comprised of three City-owned parcels (1000 2nd St. S, 1010 2nd St. S, 1028 2nd St. S).

The Park Development Foundation entered into a parallel lease agreement with the Guthrie Theater Foundation for development of an undeveloped portion of the adjacent Guthrie site ("Parcel A-2") into park space contiguous with the City's parcel. Together the two parcels comprise Gold Medal Park.

As part of the lease agreement with the City, the Park Development Foundation agreed to pay annual rent of \$50,000 to the City for the use and occupancy of the park premises.

The approximately 8-acre park features a signature design with over 300 mature trees and a landscaped 32-foot high observation mound and spiral walkway, providing panoramic views of the Mississippi River and architectural and cultural landmarks in the area.

Since Gold Medal Park opened in the summer of 2007, the surrounding Mill District neighborhood has undergone considerable redevelopment with new condominiums and office buildings, restaurants and retail stores. Gold Medal Park has grown into an established public green space and has become a valuable amenity and connection to the Mississippi Riverfront for nearby residents and offices workers, theater and museum patrons, riverfront recreationists, and the entire region.

City-owned Parcel

The City has a compelling public interest in preserving Gold Medal Park as publicly accessible green space and facilitating a long-term plan for funding future park maintenance and upkeep, which amounts to approximately \$150,000 annually. Recently the Park Development Foundation offered to continue to operate and maintain Gold Medal Park to current standards at its own expense over an extended 50-year lease term for the City-owned park parcel, in exchange for the elimination of the annual rent payment to the City. City staff supports eliminating the rent payment as a fair tradeoff for the Park Development Foundation taking full responsibility for funding park maintenance and upkeep over the extended lease term. The rent change would be effective upon execution of the lease amendment, which would occur no later than June 15, 2014. The term change would extend the lease termination date 50 years from the effective date of the lease amendment.

Guthrie-owned Parcel

The Park Development Foundation is currently in active discussions with the Guthrie Theater Foundation about purchasing the majority of the Guthrie-owned portion of Gold Medal Park.

The MCDA deeded the Guthrie-owned park parcel ("Parcel A-2") to the Guthrie Theater Foundation in 2003 pursuant to a redevelopment contract related to the development of the Guthrie Theater complex. Per Section 4 of the deed and Section 6.09(b) of the redevelopment

contract, the MCDA retained a one-time option to reacquire Parcel A-2 for its fair market value if the Guthrie elects to sell the parcel. In connection with the reorganization of the City's development function, the City succeeded to the MCDA's interest in Parcel A-2. The option provides that "in the event that the Guthrie ... proposes to sell Parcel A-2 for a use approved by the [City]..., the [City] will waive said option and execute a release in recordable form."

Per this redevelopment contract, the Guthrie has requested a waiver of the City's purchase option for the portion of the park that it proposes to sell to the Park Development Foundation. Since such a sale appears imminent, staff recommends that the City Council act at this time to waive the City's option to reacquire the park property that the Park Development Foundation plans to purchase from the Guthrie for continued park use. The waiver/release would apply only to the sale parcel and would be contingent upon the closing of such sale to the Park Development Foundation for park use.

The Guthrie plans to retain a small piece of Parcel A-2 (104 ft x 182 ft) that is currently part of the park for potential future expansion of the Guthrie Theater complex. The Guthrie intends to enter into a maintenance agreement or lease with the Park Development Foundation for continued operation and maintenance of the retained portion as park space until such time as the Guthrie decides to expand on that parcel. The Guthrie plans to apply for a minor subdivision of Parcel A-2 into the two separate parcels, subject to approval by the City Planning Commission.